

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

PM-07 INR-10 L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01

TRSE-00 MBFR-03 SAJ-01 SS-15 NSC-10 SCEM-02 OEP-01

INT-08 ACDA-19 OMB-01 RSR-01 /122 W

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O R 121935Z JUL 73

FM USMISSION NATO

TO SECSTATE WASHDC IMMEDIATE 815

SECDEF WASHDC IMMEDIATE

INFO JCS

USCINCEUR

AMEMBASSY PARIS

C O N F I D E N T I A L USNATO 3341

E.O. 11652: GDS79

TAGS: ETRN ENRG NATO

SUBJ: AGENDA FOR CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC)

MEETING, 18-19 JULY 73

DEF FOR OASD I&L, MR. NOLAN; MCS FOR J-4/PETROLEUM; CINCEUR FOR  
J-4/JPO; EMB PARIS FOR MR. HOLMES.

REFS: A. USNATO A-100 B. USNATO 2846 C. STATE 123102

BEGIN SUMMARY. ADVANCE COPY OF CEPPC AGENDA, RECEIVED JULY 11,  
INCLUDES NON-NATO MOVEMENTS AGREEMENTS FOR LAVERA TO STRASBOURG AND  
LE HAVRE TO VALENCIENNES, WHICH US ALONE HAS NOT YET APPROVED. A RE-  
STRICTED SESSION IS ALSO SCHEDULED FOR A PRELIMINARY DISCUSSION  
ON SPECIAL REPORT BY NATO BOARD OF AUDITORS CONCERNING NON-  
NATO MOVEMENTS IN FRANCE. ACTION REQUESTED: APPROVAL OR  
FURTHER GUIDANCE ON US POSITIONS PROPOSED ON THESE SUBJECTS.  
END SUMMARY.

1. LAVERA-STRASBOURG. RECENT DISCUSSIONS OF THIS ITEM  
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REPORTED IN PARA VIII.C. OF REF A. FRENCH HAVE NO ADMITTED  
THAT DIRECT PAYMENTS TO TRAPIL CO., RANGING FROM FFR 0.50 TO  
FFR 1.50 PER CU METER ARE BEING MADE BY OIL COMPANIES FOR  
TRANSPORT OF PRODUCTS BY CENTRAL EUROPE PIPELINE SYSTEM (CEPS).

CEPPC WAS NOT AWARE OF THESE PAYMENTS UNTIL THE SPECIAL NATO AUDIT REPORT WAS RECEIVED. IN OUR VIEW, TRAPIL IS OTHERWISE FULLY COMPENSATED FOR ITS SERVICES AND THE ADDITIONAL PAYMENTS ARE NOT JUSTIFIED. THESE PAYMENTS TO TRAPIL (WHICH ARE INDICATIVE OF WHAT THE TRAFFIC WILL BEAR) SHOULD CEASE AND RATES IN PRESENT CEPS TECHNICAL AGREEMENTS WITH FRENCH SHOULD BE RAISED BY CORRESPONDING AMOUNTS. PROPOSED US POSITION: THE US IS PREPARED TO NOW APPROVE THE FURTHER EXTENSION OF THE CURRENT AGREEMENT (AC/120-D/680) FROM 31 AUGUST TO 30 DECEMBER 1973 PROVIDED THE TARIFF RATES SHOWN IN PARA 6 OF THE TECHNICAL AGREEMENT ANNEX ARE INCREASED AS FOLLOWS (PER CU METER)C LAVERA TO STRASBOURG OR CHALONS, BY FFR 1.50. FEYZIN TO STRASBOURG OR CHALONS, BY FFR 0.75. LAVERA TO FEYZIN, BY FFR 0.50.

THE US OTHERWISE CONTINUES TO RESERVE ITS APPROVAL PENDING FURTHER JUSTIFICATION OF PRESENT RATES PROPOSED BY FRANCE.

2. LE HAVRE TO VALENCIENNES. PROPOSED US POSITION:

THE US CONTINUES TO BELIEVE THAT CEPS COSTS FOR PERFORMING THIS SERVICE ARE UNDERESTIMATED AND THAT IN ALL LIKELIHOOD, DUE TO RISING COSTS, WE ARE LOSING MONEY ON THIS TRAFFIC WHEN TAXES AND ALL RELATED EXPENSES ARE TAKEN INTO ACCOUNT. HOWEVER, NOTING FRENCH ASSURANCES THAT THEY ARE WILLING TO TAKE INTO ACCOUNT EXTREME FLUCTUATIONS IN EXPENSES (INFLATION) AS RECORDED IN AC/120-R/192, PARA 7(2), WE ARE WILLING TO LIFT OUR RESERVATION ON AC/120-D/788, PROVIDED THAT CEOA WILL UNDERTAKE A COMPLETE NEW COST STUDY OF THIS OPERATION, GIVING SPECIAL ATTENTION TO INFLATIONARY DEVELOPMENTS, AND PRESENT THE STUDY TO THE CEPPC BEFORE THE END OF THE YEAR. WE WOULD ANTICIPATE THAT THE FRENCH AUTHORITIES WOULD ASSIST IN THIS COST STUDY AND TAKE THE RESULTS INTO ACCOUNT.

3. RESTRICTED SESSION ON SPECIAL AUDIT REPORT. PROPOSED US POSITION: THE US REP WOULD MAKE POINTS SET OUT IN PARA 2  
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OF REF C AT THIS FIRST MEETING. HE WOULD STRESS THAT OUR INTERESTS ARE MAINLY FINANCIAL AND THAT WE SHOULD NOT BRING UP POLITICAL MATTERS WHICH ARE OUTSIDE OUR COMPETENCE (SEE PARIS 17723). PROPOSE TO SAY WE CAN SEE NO JUSTIFICATION FOR THE EXTRA CHARGES THAT ARE PRESENTLY LEVIED BY TRAPIL AND THAT WE CONSIDER THEM NOT SUPPORTED BY ANY DIRECT OR IDENTIFIABLE COSTS TO TRAPIL NOT OTHERWISE COMPENSATED FOR OR ELIGIBLE FOR COMPENSATION BY CEPS. AT THIS MEETING CEPPC IS EXPECTED TO REQUEST WRITTEN COMMENTS OF CEOA ON AUDIT REPORT AND FRENCH REPLY TO BE SUBMITTED BEFORE ITS SEPTEMBER MEETING. NATO AUDITORS ARE EXPECTED TO BE ASKED FOR THEIR FURTHER COMMENTS ON THE FRENCH REPLY. IT IS PROPOSED THAT US SUPPORT THESE TWO ACTION. AT THIS FIRST MEETING, WE DO NOT WISH TO SPEAK ON

THE ISSUE OF NATO AUDITS AS NOW CONDUCTED IN FRANCE.

4. ACTION REQUESTED: APPROVAL OF PROPOSED US POSITIONS  
IN PARAS 1-3 ABOVE, AND ANY FURTHER GUIDANCE WASHINGTON MAY  
WISH TO PROVIDE. COMMENT IT CAN BE EXPECTED THAT DISCUSSION  
ON FRENCH AUDIT REPORT WILL CONTINUE, BOTH IN AND OUT OF  
COMMITTEE FOR SOME MONTHS. WE PLAN TO WAIT TILL ADDITIONAL  
FACTS AND OTHER NATIONAL POSITIONS ARE KNOWN BEFORE DEVELOPING  
OUR POSITION FURTHER IN CEPPC-PROBABLY AT SEPTEMBER MEETING.  
FOR THE PRESENT, WE WILL GO ON RECORD AS CONTENDING THAT VALUE  
OF CEPS SERVICE IS SUCH AS TO JUSTIFY THE INCREASES INDICATED  
IN THE PERIOD OF EXTENSION OF THE PRESENT AGREEMENT (AC/120-D/680).  
THE ONUS IS THEREBY PUT ON FRANCE TO JUSTIFY WHY EXTRA CHARGE  
SHOULD GO TO TRAPIL (AND ULTIMATELY, PRESUMABLY, TO THE FRENCH  
GOVERNMENT AND OIL COMPANIES WHO OWN IT). THIS END RESULT IF  
AT THE EXPENSE OF THE OTHER NATIONS MAKING CONTRIBUTIONS TO  
MEET THE ANNUAL CEPS DEFICIT. BY LIMITING OUR AGREEMENT TO  
D/680, WE ARE AVOIDING ANY AGREEMENT ON THE TERMS OF ANY NEW  
CONTRACT (FOR PERIOD AFTER 30 DEC 73). THESE TERMS CAN  
BE DEBATED AFTER THE PRESENT SITUATION CLARIFIES ITSELF. WE  
ADDITIONALLY WISH TO STRESS TO WASHINGTON THAT THE  
EUROPEANS (INCLUDING UK) ARE IN NO MOOD FOR A CONFRONTATION  
WITH FRANCE OVER ISSUES RAISED IN AUDIT REPORT. BASICALLY, THEY WANT  
FRANCE TO ACCEPT A LARGER SHARE OF THE CEPS FINANCIAL BURDEN  
AND GRANT TAX RELIEF. THEY HOWEVER ALL HAVE SHOWN THEMSELVES  
LOATHE TO QTE GRASP THE NETTLE UNQTE IN ANY RECENT SHOWDOWN  
VOTE IN CEPPC. WE THINK IT WOULD BE WORTHWHILE IN  
THIS MEETING TO RESPOND TO COMMENTS OF FRENCH IN PREVIOUS  
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MEETINGS ABOUT THE QTE VIEWS IN SOME CIRCULES UNQTE THAT WOULD  
IMPLY A POSSIBLE CHANGE IN PRESENT BASIC RELATIONSHIPS WITH THE NATO  
PIPELINE AUTHORITIES. WE BELIEVE THIS VEILED THREAT SHOULD  
BE FINESSED BY SIMPLY STATING SUCH MATTERS ARE TOO POLITICAL  
A SUBJECT FOR DISCUSSION WITHIN A TECHNICAL AND FINANCIAL  
POLICY COMMITTEE. END COMMENT. MCAULIFFE

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